



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of South Webster
Scioto County
P.O. Box 38
South Webster, Ohio 45682

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of South Webster, Scioto County, Ohio (the Village).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Village reported Special Revenue Fund charges for services receipts of \$7,219 for the year ended December 31, 2019, which are 15.6 percent of Special Revenue Fund total cash receipts for the year. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Special Revenue Fund charges for services receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the Special Revenue Fund as of and for the year ended December 31, 2019, and related notes of the Village of South Webster, Scioto County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for the General Fund, Capital Projects Fund and each proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of South Webster, Scioto County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the 2020 financial statements and Note 9 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2022, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
March 21, 2022

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Village of South Webster, Ohio

Scioto County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2020

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$84,887	\$12,462	\$97,349
Intergovernmental	20,725	43,515	64,240
Charges for Services		1,300	1,300
Fines, Licenses and Permits	317		317
Earnings on Investments	235		235
Miscellaneous	1,482	1,327	2,809
<i>Total Cash Receipts</i>	<u>107,646</u>	<u>58,604</u>	<u>166,250</u>
Cash Disbursements			
Current:			
Security of Persons and Property		1,479	1,479
Public Health Services	9,026		9,026
Basic Utility Services	19,819	1,691	21,510
Transportation		10,972	10,972
General Government	44,806	228	45,034
Capital Outlay		10,005	10,005
<i>Total Cash Disbursements</i>	<u>73,651</u>	<u>24,375</u>	<u>98,026</u>
<i>Net Change in Fund Cash Balances</i>	33,995	34,229	68,224
<i>Fund Cash Balances, January 1</i>	<u>85,547</u>	<u>77,306</u>	<u>162,853</u>
<i>Fund Cash Balances, December 31</i>	<u>\$119,542</u>	<u>\$111,535</u>	<u>\$231,077</u>

See accompanying notes to the basic financial statements

Village of South Webster, Ohio
Scioto County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,839
<i>Total Operating Cash Receipts</i>	<u>1,839</u>
<i>Fund Cash Balance, January 1</i>	<u>516</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$2,355</u></u>

See accompanying notes to the basic financial statements

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Webster, Scioto County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, and maintenance of Village roads.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Basis of Accounting and Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are both organized on a fund type basis. These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated. The Village did not use the encumbrance method of accounting.

A summary of the 2020 budgetary activity appears in Note 2.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 2 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,775	\$107,646	\$19,871
Special Revenue	72,850	58,604	(14,246)
Sewer	0	1,839	1,839
Total	\$160,625	\$168,089	\$7,464

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$73,651	(\$73,651)
Special Revenue	0	24,375	(24,375)
Total	\$0	\$98,026	(\$98,026)

Contrary to Ohio law, the Village did not approve a permanent appropriation measure or any supplemental appropriation measures for 2020. As a result, expenditures exceeded appropriations in all funds, which is also contrary to Ohio law.

Note 3 – Equity in Pooled Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand Deposits	2020 \$228,432
Certificate of Deposit	5,000
Total Deposits	\$233,432

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village or collateralized by the financial institution's public entity deposit pool.

Note 4 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 5 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 6 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2020

Note 8 – Contingent Liabilities

The Village is not currently party to any legal proceedings.

Note 9 – Fund Balances

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types.

The effect of this change had no effect on the beginning cash balances.

Village of South Webster, Ohio
Scioto County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$77,712	\$3,576		\$81,288
Intergovernmental	19,539	35,367	\$60,000	114,906
Charges for Services		7,219		7,219
Fines, Licenses and Permits	212			212
Earnings on Investments	210			210
Miscellaneous	14			14
<i>Total Cash Receipts</i>	<u>97,687</u>	<u>46,162</u>	<u>60,000</u>	<u>203,849</u>
Cash Disbursements				
Current:				
Security of Persons and Property		1,408		1,408
Public Health Services	5,657			5,657
Basic Utility Services	16,452	709		17,161
Transportation		10,483		10,483
General Government	48,024			48,024
Capital Outlay	45,467	18,288	60,000	123,755
<i>Total Cash Disbursements</i>	<u>115,600</u>	<u>30,888</u>	<u>60,000</u>	<u>206,488</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,913)</u>	<u>15,274</u>	<u>-</u>	<u>(2,639)</u>
Other Financing Receipts (Disbursements)				
Transfers In	48,531	13,788		62,319
Transfers Out	(13,788)	(48,531)		(62,319)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>34,743</u>	<u>(34,743)</u>		<u>-</u>
<i>Net Change in Fund Cash Balances</i>	16,830	(19,469)	-	(2,639)
<i>Fund Cash Balances, January 1</i>	<u>68,717</u>	<u>96,775</u>		<u>165,492</u>
Fund Cash Balances, December 31				
Restricted		70,812		70,812
Assigned	3,151	6,494		9,645
Unassigned	82,396			82,396
<i>Fund Cash Balances, December 31</i>	<u>\$85,547</u>	<u>\$77,306</u>	<u>\$0</u>	<u>\$162,853</u>

See accompanying notes to the basic financial statements

Village of South Webster, Ohio

Scioto County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary Fund Types

For the Year Ended December 31, 2019

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<i>Fund Cash Balances, January 1</i>	<u>\$516</u>
<i>Fund Cash Balances, December 31</i>	<u>\$516</u>

See accompanying notes to the basic financial statements

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of South Webster, Scioto County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, and maintenance of Village roads.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Basis of Accounting and Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are both organized on a fund type basis. These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Ohio Public Works Commission (OPWC) Fund - This fund received receipts and disbursements from Scioto County on behalf of the Village for resurfacing of Village roads.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated. The Village did not use the encumbrance method of accounting.

A summary of the 2019 budgetary activity appears in Note 2.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$87,896	\$146,218	\$58,322
Special Revenue	32,950	59,950	27,000
Capital Projects	0	60,000	60,000
Total	\$120,846	\$266,168	\$145,322

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$129,388	(\$129,388)
Special Revenue	0	79,419	(79,419)
Capital Projects	0	60,000	(60,000)
Total	\$0	\$268,807	(\$268,807)

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Contrary to Ohio law, the Village did not approve a permanent appropriation measure or any supplemental appropriation measures for 2019. As a result, expenditures exceeded appropriations in all funds, which is also contrary to Ohio law.

Note 3 – Equity in Pooled Deposits and Investments

The Village maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2019
Demand Deposits	\$158,369
Certificate of Deposit	5,000
Total Deposits	\$163,369

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village or collateralized by the financial institution’s public entity deposit pool.

Note 4 – Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Note 5 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates in the following table. The Village has paid all contributions required through December 31, 2019.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

Note 6 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 7 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Village of South Webster
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2019

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$ 15,920,504
Liabilities	<u>(11,329,011)</u>
Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 – Contingent Liabilities

The Village is not currently party to any legal proceedings.

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of South Webster
Scioto County
P.O. Box 38
South Webster, Ohio 45682

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2020 and 2019, and related notes of the Village of South Webster, Scioto County, (the Village) and have issued our report thereon dated March 21, 2022, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Village. We qualified our opinion on the Special Revenue Fund for the year ended December 31, 2019 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts reported as Special Revenue Fund charges for services receipts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2020-001; 2020-003 through 2020-005; and 2020-008 through 2020-010 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2020-002 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2020-001 through 2020-007.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
March 21, 2022

VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2020-001

Noncompliance / Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Village financial statements are not materially misstated and that all receipts are properly accounted for in the Village's accounting system. Additionally, **Ohio Rev. Code § 149.351** requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The Village did not maintain underlying documentation and support for amounts received for 2019 charges for services receipts relating to the rental of the senior citizen's building. We were unable to perform alternative procedures to gain the necessary audit assurances to support whether the proper amount was received and proper rates charged. Thus, we were unable to obtain sufficient appropriate evidence supporting amounts received. This resulted in a qualified opinion over charges for services in the Special Revenue Fund.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements and receipts not being properly accounted for.

The Village should maintain supporting documentation such as duplicate receipts; fee schedules; and rental contracts / agreements for amounts received for the senior citizen's building. Charges for services rental transactions and receipt records should be maintained in an orderly manner to support all transactions.

Officials' Response:

Rental agreements for senior building rentals have been collected since 2020. These agreements are delivered to the fiscal officer at each monthly council meeting.

Receipts for senior building rentals entered into UAN will also include the names of renters and dates of rentals in the description field, effective immediately.

A fee schedule was published in 2020. A new fee schedule will be published and posted in the senior building following approval by council at our April 2022 council meeting.

FINDING NUMBER 2020-002

Noncompliance / Significant Deficiency

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded \$620 of homestead and rollback taxes and \$120 manufactured home taxes in the General Fund. Given the source of the revenue, this should have been recorded in the Senior Building Fund Number 2902. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2020-002
(Continued)

Officials' Response:

A new fiscal officer was appointed in January 2022. The new fiscal officer has instituted the practice of having all revenue transactions reviewed by the mayor to help ensure posting to the proper funds.

This particular finding was corrected in UAN.

FINDING NUMBER 2020-003

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Revised Code § 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services."

Ohio Rev. Code § 5705.40 provides that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

Ohio Admin. Code 117-2-02(C)(1) also states in part: "All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations."

The following was noted regarding appropriations:

- For 2019 and 2020, the Village Council did not approve an annual appropriation measure.
- For 2019 and 2020, an annual appropriation measure was not filed with the County Auditor's Office.
- For 2019 and 2020, supplemental appropriations were entered into the Village's accounting system however they were not approved by the Village Council and recorded in the minute record and were not filed with the County Auditor's Office.

The failure to approve appropriations may result in spending greater than available resources and could lead to deficit fund balances. (See Finding Number 2020-004)

We recommend the Village Council approve permanent appropriations on or about January 1 of each fiscal year at the required legal level of control. If temporary appropriations are approved, we recommend the Village Council approve the permanent appropriations by April 1. Approval of appropriations and supplemental appropriation measures should be recorded in the Village's minute record. Further, once approved, all appropriation and supplemental appropriation measures should be promptly entered into the Village's accounting system and reconciled to the approved measures to ensure accuracy of input.

FINDING NUMBER 2020-003
(Continued)

Officials' Response:

Village council members and the mayor were not aware that the appropriations process had not been followed correctly in 2019 and 2020. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

Temporary and Permanent Appropriations resolutions for 2022 have been approved by council and have been forwarded to the Scioto County Auditor's office.

FINDING NUMBER 2020-004

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to the Village's failure to approve an appropriation measure for 2019 and 2020 (see Finding Number 2020-003), the Village had expenditures in excess of appropriations as follows:

As of December 31, 2019:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$129,388	(\$129,388)
Street Maintenance / Repair	\$0	\$25,771	(\$25,771)
State Highway	\$0	\$854	(\$854)
Police	\$0	\$48,531	(\$48,531)
Street Lights	\$0	\$554	(\$554)
Senior Citizens Building	\$0	\$709	(\$709)
Permissive Motor Vehicle License	\$0	\$3,000	(\$3,000)
Capital Projects	\$0	\$60,000	(\$60,000)

As of December 31, 2020:

Fund	Appropriations	Expenditures	Variance
General	\$0	\$73,651	(\$73,651)
Street Maintenance / Repair	\$0	\$20,977	(\$20,977)
State Highway	\$0	\$1,479	(\$1,479)
Senior Citizens Building	\$0	\$1,919	(\$1,919)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

**FINDING NUMBER 2020-004
(Continued)**

Officials' Response:

Village council members and the mayor were not aware that the appropriations process had not been followed correctly in 2019 and 2020. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

Temporary and Permanent Appropriations resolutions for 2022 have been approved by council and have been forwarded to the Scioto County Auditor's office.

FINDING NUMBER 2020-005

Noncompliance / Material Weakness

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively.

1. "Then and Now" certificate - If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village Council can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate - The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Village Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

FINDING NUMBER 2020-005
(Continued)

Due to deficiencies in internal controls, 100 percent of the transactions were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. The Fiscal Officer did not certify the availability of funds prior to purchase commitment. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

All purchase orders issued by the village will be certified as to funds available by the fiscal officer prior to payment. This practice has been in effect since the appointment of the new fiscal officer in January, 2022.

FINDING NUMBER 2020-006

Noncompliance

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year. The Fiscal Officer did withhold the required state payroll taxes for both 2019 and 2020; however, there is no evidence she paid the taxes in 2020 in accordance with the applicable schedule prescribed by Ohio Rev. Code § 5747.07 or submitted the annual reports to the tax commissioner and relevant employees by January 31, 2021. Failure to file, pay, and report the withholdings could result in liabilities, penalties, and interest levied against the Village.

We were not provided with the 2020 state withholding reports or related documentation indicating amounts were paid for 2020. The checks written for the 2019 and 2020 taxes were still outstanding at December 31, 2020. Whether the Village filed the required annual reports and paid the amounts due for state withholdings could not be determined.

The Fiscal Officer should remit payment in accordance with applicable law and file the required reports when completing the last payroll of the year to avoid interest and penalties.

This matter will be referred to the Ohio Department of Taxation.

Officials' Response:

Village council members and the mayor were not aware of the status of state payroll tax withholding or reporting in 2019 and 2020, other than what was represented in our paychecks and W2 forms. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

The current fiscal officer is actively researching this issue. We have also enlisted the assistance of legal counsel.

The elected officials of the village and the fiscal officer are committed to remit all payments and file the required reports in a timely manner going forward.

FINDING NUMBER 2020-007

Noncompliance

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The 2020 federal withholding reports or related documentation indicating amounts were paid for 2020 were not provided for audit. The checks written for the 2019 and 2020 taxes were still outstanding at December 31, 2020. Whether the Village filed the required annual reports and paid the amounts due for 2019 and 2020 could not be determined.

The Village should withhold federal income and Medicare from all applicable officials and employees' compensation and remit payments to the Internal Revenue Service in a timely manner.

This matter will be referred to the Internal Revenue Service.

Officials' Response:

Village council members and the mayor were not aware of the status of federal income tax withholding or reporting or Medicare tax withholding or reporting in 2019 and 2020, other than what was represented in our paychecks and W2 forms. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

The current fiscal officer is actively researching this issue.

The elected officials of the village and the fiscal officer are committed to remit all payments and file the required reports in a timely manner going forward.

FINDING NUMBER 2020-008

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Village Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Village Council is responsible for reviewing the reconciliations and related support.

FINDING NUMBER 2020-008
(Continued)

Monthly bank to book reconciliations were not accurately prepared for each month of 2019 and 2020. Failure to accurately reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The following conditions related to the December 2020 and 2019 year-end reconciliations were identified:

- Bank Reconciliations for both years include Other Adjusting Factors as an \$8,255 reduction to the bank balance. This amount is the result of an Auditor of State Local Government Services Division reconciliation performed at December 31, 2013 and prior and represents outstanding checks resulting from the reconciliation.
- The December 31, 2019 outstanding payments listing, in the amount of \$17,654, which does not include the \$8,255 indicated above, includes numerous items dating prior to 2019. Of this amount, the amount relating to 2019 payments is \$4,628 which indicates \$13,026 was outstanding longer than one year.
- The December 31, 2020 outstanding payments listing, in the amount of \$22,466, which does not include the \$8,255 indicated above, includes numerous items dating prior to 2020. Of this amount, the amount relating to 2020 payments is \$6,559 which indicates \$15,907 was outstanding longer than one year.
- During our testing of receipts and non-payroll disbursements, there were both receipts and disbursements not timely posted to the accounting system which resulted in reconciling items on the Village's monthly bank reconciliations.

The Village Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Village Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews. We also recommend that the entire outstanding check listing be reviewed and evaluated to determine whether they should be either voided; voided and reissued; or paid into an unclaimed monies fund.

Officials' Response:

Village council members and the mayor were not aware of the discrepancies in bank reconciliations at the end of 2019 and 2020, nor were we aware of the requirement for monthly review and sign-off of the monthly reconciliations. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

The fiscal officer is performing monthly bank reconciliations in UAN as of the January 2022 statement cycle. Bank reconciliation reports will be provided to council for their review and sign-off as of the April 2022 council meeting.

The fiscal officer will attempt to reconcile the adjusting factors and void any outstanding payments that are considered to be no longer redeemable.

We may request the services of the Auditor of State Local Government Services Division in order to resolve the historical adjustment factors.

**FINDING NUMBER 2020-008
 (Continued)**

We believe that the resolution for findings 2020-007 and 2020-008 will allow us to remove or otherwise account for outstanding past posted payments of withholding taxes to state and federal entities.

FINDING NUMBER 2020-009

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The Village Council did not approve any appropriations or amendments thereof however there were appropriations and amendments posted to the accounting system.

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2020 were as follows:

Fund	Estimated Receipts from Amended Official Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
General Fund	\$ 87,775	\$ 80,175	\$7,600
State Highway Fund	\$ 4,250	\$ 0	\$4,250
Street Light Fund	\$ 8,000	\$ 0	\$8,000
Senior Citizens Building Fund	\$ 1,000	\$ 3,700	(\$2,700)
Permissive Motor Vehicle Tax Fund	\$ 3,100	\$ 0	\$3,100
Senior Citizen Services / Facilities Fund	\$ 9,000	\$ 0	\$9,000

Variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and amounts recorded in the UAN system at December 31, 2019 were as follows:

**FINDING NUMBER 2020-009
 (Continued)**

Fund	Estimated Receipts from Official Certificate of Estimated Resources	Estimated Receipts in UAN System	Difference
General Fund	\$ 87,896	\$ 80,675	\$ 7,221
Street Maintenance / Repair	\$ 25,000	\$ 35,000	(\$10,000)
Street Light Fund	\$ 0	\$ 8,000	(\$ 8,000)
Gazebo Fund	\$ 0	\$ 788	(\$ 788)

Failure to accurately post the appropriations and estimated resources to the accounting system could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the footnotes.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the accounting system, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

Village council members and the mayor were not aware of the variances between estimated receipt amounts from the Amended Certificate of Estimated Resources and the amounts recorded in the UAN system for the 2019 and 2020 budgets. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

The village's elected officials and fiscal officer are committed to maintain accountability over receipts and expenditures by correctly entering estimated resources into UAN and monitoring appropriations to ensure they do not exceed available resources.

FINDING NUMBER 2020-010

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound financial reporting is the responsibility of the Village Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Due to deficiencies in internal control, the Village misclassified and misposted various receipts and disbursements to the annual financial reports submitted to the Auditor of State as follows:

On the December 31, 2020 Financial Statement:

**FINDING NUMBER 2020-010
(Continued)**

- Property Taxes in the amount of \$120 were incorrectly posted to the General Fund instead of the Senior Building Fund.
- Homestead and Rollback Intergovernmental revenues in the amount of \$620 were incorrectly posted to the General Fund instead of the Senior Building Fund.
- In the Sewage Fund, receipts of \$1,839 were classified as Property and Other Local Taxes instead of Charges for Services.
- The Gazebo Fund which had a beginning and ending balance of \$5,000 was classified as a Permanent Fund instead of a Special Revenue Fund

On the December 31, 2019 Financial Statement:

- The Gazebo Fund which had a beginning balance of \$4,212; receipts of \$788; and an ending balance of \$5,000 was classified as a Permanent Fund instead of a Special Revenue Fund
- General Fund beginning balance was understated by \$739.
- Street Lights Special Revenue Fund beginning balance was overstated by \$739.
- In the General Fund, disbursements of \$45,467 relating to a paving project were classified as General Government instead of Capital Outlay.
- Ohio Public Works Commission (OPWC) on-behalf-of grant handled by Scioto County was not posted to the Village's financial statements which resulted in the OPWC Fund Intergovernmental receipts and Capital Outlay disbursements to be understated by \$60,000.

The Village has adjusted the financial statements and accounting records to correct these errors, where applicable. Failure to accurately post financial activity can lead to material misstatements in financial reporting, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Village Fiscal Officer and Village Council to identify and correct errors and omissions. We also recommend the Village Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Village's receipts and expenditures.

Officials' Response:

Village council members and the mayor were not aware of the misclassified and misposted receipts and disbursements listed in this finding. The fiscal officer who was in office in 2019 and 2020 resigned her position effective Jan. 20, 2022.

The fiscal officer is committed to exercise due diligence in properly classifying all funds and transactions and in creating financial reports that accurately reflect the village's receipts and expenditures.

We request further clarification and explanation on the proper handling of the OPWC paving grant, since this situation occurred again in 2021 and is anticipated to occur again in 2023.

**VILLAGE OF SOUTH WEBSTER
SCIOTO COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Ohio Rev. Code §§109.43(B) and 149.43(E)(1)	Not Corrected	See Management Letter
2018-002	Ohio Rev. Code §121.22(C)	Not Corrected	See Management Letter
2018-003	Ohio Rev. Code §149.351(A)	Not Corrected	See Finding Number 2020-001
2018-004	Ohio Rev. Code §135.22	Not Corrected	See Management Letter
2018-005	Ohio Rev. Code §5705.10(H)	Corrective Action Taken and Finding is Fully Corrected	
2018-006	Ohio Rev. Code §5705.38(A)	Not Corrected	See Finding Number 2020-003
2018-007	Ohio Rev. Code §5705.41(B)	Not Corrected	See Finding Number 2020-004
2018-008	Ohio Rev. Code §5705.41(D)(1)	Not Corrected	See Finding Number 2020-005
2018-009	Ohio Admin. Code §§117-2-01(D)(3) and (5) and 117-2-2(A)	Not Corrected	See Finding Number 2020-008
2018-010	Cancelled Check Images	Not Corrected	See Management Letter
2018-011	Controls Over Disbursements	Not Corrected	See Management Letter
2018-012	Controls Over Personnel Files	Not Corrected	See Management Letter
2018-013	Sound Financial Reporting	Not Corrected	See Finding Number 2020-010
2018-014	Budgetary Information Within UAN	Not Corrected	See Finding Number 2020-009
2018-015	Ohio Rev. Code §145.47(B)	Not Corrected	See Management Letter
2018-016	Ohio Rev. Code §9.38	Not Corrected	See Management Letter
2018-017	Title 26: Internal Revenue Code	Not Corrected	See Finding Number 2020-007

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF SOUTH WEBSTER

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/5/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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